

**EL PASO FIREMEN & POLICEMEN'S PENSION FUND**  
**REGULAR MEETING**  
**Wednesday, March 22, 2017 at 1:00 PM**  
**El Paso Firemen and Policemen's Pension Fund Office**  
**909 East San Antonio Avenue, El Paso, Texas 79901**

**MINUTES**

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**TRUSTEE MEMBERS PRESENT**

**Fire Division:**

Chief Jerry Villanueva  
Lieutenant Paul Thompson

**Police Division:**

Lieutenant John Schneider  
Sergeant Sean Shelton  
Sergeant JD Cotham

**Mayoral Appointments:**

Dr. Robert Tollen  
Ms. Carmen Arrieta-Candelaria  
Mr. Presi Ortega

**City Manager Appointments:**

Ms. Judy A. Balmer  
Ms. Terri Garcia

**OTHERS PRESENT**

Mr. Tyler Grossman – Executive Director  
Ms. Christina Ramirez – Deputy Executive Director  
Ms. Lena Ellis – CFO  
Mr. Thad Fletcher – Cooke & Bieler  
Mr. Mehul Trivedi – Cooke & Bieler  
Mr. Tim Campbell – Baillie Gifford  
Mr. Matthew Coyle – Baillie Gifford

**TRUSTEE MEMBERS ABSENT:**

Chief Ricci Carson

EL PASO FIREMEN & POLICEMEN'S PENSION FUND  
March 22, 2017 - 1:00 P.M.

1. Establishment of Quorum.

Chairman Villanueva established that a Quorum was present. The Regular Meeting of the El Paso Firemen & Policemen's Pension Fund Board of Trustees was called to order at 1:00 p.m.

2. Reading and approval of the Minutes from the previous Regular Board Meeting held February 15, 2017.

*Dr. Tollen moved to approve the minutes of the Regular Board Meeting held February 15, 2017, seconded by Mr. Shelton and unanimously passed by the Board.*

Consent Agenda

*Dr. Tollen moved to approve the Consent Agenda seconded by Mr. Schneider and passed by the Board.*

1. Internal Financial Statements for month ending February 28, 2017.

Northern Trust Financial Statements for month ending February 28, 2017.

2. Expense Reports for the month ending February 28, 2017.

3. Approve Pension Payrolls:

Fire	\$2,774,391.56
Police	\$3,858,695.18

4. Payments to Service Providers

A. Baillie Gifford – 4 <sup>th</sup> Q2016	\$139,351.62
B. Brown Advisory – 4 <sup>th</sup> Q2016	\$32,978.48
C. Cooke & Bieler – 4 <sup>th</sup> Q2016 (Large Cap Value)	\$42,437.87
D. Cooke & Bieler – 4 <sup>th</sup> Q2016 (Small Cap Value)	\$4,686.50
E. Fidelity Investments – 4 <sup>th</sup> Q2016	\$89,774.81
F. Harvest Fund Advisors, LLC – 4 <sup>th</sup> Q2016	\$112,469.06
G. Intech – 4 <sup>th</sup> Q2016	\$19,844.77
H. Legislative Consultants – February 2017	\$8,052.66
I. Mondrian – 4 <sup>th</sup> Q2016	\$179,319.35
J. The Northern Trust Company – 4 <sup>th</sup> Q2016 (Custody & Benefit Payments)	\$21,818.82
K. PIMCO – 4 <sup>th</sup> Q2016	\$109,117.80
L. Powers Mediaworks, LLC – January 2017	\$1,664.00
M. Rudd and Wisdom, Inc. – January 2017	\$8,097.00
N. William Blair – 4 <sup>th</sup> Q2016 (Small Cap Growth)	\$72,887.82

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O. William Blair – 4 <sup>th</sup> Q2016 (Small Cap Value)	\$124,170.20
P. Buck Consultants (Xerox) – 4 <sup>th</sup> Q2016	\$19,771.00

*Chairman Villanueva requested that New Business Items 1 & 2 be moved ahead of Unfinished Business. There were no objections to these changes so the items were moved.*

*Mr. Thompson arrived at 1:04 pm.*

### New Business

1. Investment Performance Review for period ended December 31, 2016 and update as presented by Mr. Thad Fletcher and Mr. Mehul Trivedi of Cooke & Bieler.

Mr. Fletcher explained that not much has changed since he last reported to the Board. Cooke & Bieler has been managing equity portfolios since 1949. They are independent and management – owned with 12 partners and 30 employees with a little over \$5B in assets under management.

The Large Cap Value Portfolio began with an initial allocation of \$32M in September of 2005 with an additional allocation of \$18M and \$41M in withdrawals. As of February 28, 2017, the value is at \$75M. Cooke and Bieler sticks to the same discipline. The index has been outperformed by 75 bps per year. Because Cooke & Bieler invests in quality companies, it generally does well in down markets. They find good businesses with strong companies and own them for a period of 3 to 5 years; therefore their turnover is only at 31%.

The Small Cap Value Portfolio began with an initial allocation of \$20M in August of 2014 with an additional allocation of \$40K and \$3M in withdrawals. As of February 28, 2017, the value is at \$23M. Small Cap will have greater return versus the Large Cap which is more of an anchor for the Fund. The expectation for small cap is 150 bps to 200 bps of return. Going forward the Fund will see a 6 to 8% returns over the next fifteen years in the Large Cap strategy.

2. Investment Performance Review for period ended December 31, 2016 and update as presented by Mr. Tim Campbell and Mr. Matthew Coyle of Baillie Gifford.

Mr. Campbell provided the Emerging Markets update and explained that the firm is in good shape with no major changes. The team is exactly the same with three new partners and one retiring. Per year since inception the Fund (March 2005) has earned 8% per year. Going forward, the outlook for emerging markets is optimistic.

Mr. Coyle provided the International Focus update. The strategy is just over \$11B in three different strands. The fund has invested in the EAFE Pure Strand which is invested purely in developed markets. There are 105 investment professionals in the firm and there is a lot of interaction amongst all of the professionals. The Investment philosophy is growth oriented and active with a long-term perspective. The range of names in the portfolio is 50 to 90 and currently at about 60. Typically holding periods are for at least 5 years. This is very different from the market. Joe Faraday will be the main point of contact for this plan. There are four key questions

that govern Baillie's Investment Criteria: 1) Growth – Will this company be significantly larger in five years? 2) Management - Are management sensible guardians of our clients' capital? 3) Valuation – Why is this growth not reflected in the current share price? And 4) Discipline – What would make us sell? Risk is extremely important. There is an Independent Risk Team that provides oversight in the area of risk.

## Reports and recommendations of Committees

### Unfinished Business

#### 1. Discussion and action on benefit analysis.

Mr. Grossman explained that the Current Contribution Percentage for Fire is at 15.28% and Police is 13.89%. The cost to change the age and time for Tier 2 to match the Base Plan is an additional 2.2% in contributions for Police and 1.6% in contributions for Fire. The total for Police would then move to 16.09% and Fire would move to 16.88%. Buck was then asked for an analysis if both sides go up to 18% to match the City contribution. Police would go up by 1.91% and Fire would increase by 1.12%. The total contribution increase for Police would be 4.11% and for Fire would be 2.72%. This would move both to 18%. If this increase was spread over five years, Police would see a 0.82% increase each year and Fire would see a 0.54% increase each year. Buck was asked to ascertain how this increase in contributions would affect the Fund's Amortization Period. Police would go from an amortization period of 33 years to 26 years. Fire would go from an amortization period of 26 years to 24 years. All retiree that currently receive a minimum pension would receive a 50% increase.

*After careful discussion and due consideration, Mr. Schneider moved to approve going forward with increasing contributions to 18% for all members and changing the benefit guidelines for Tier 2 to lower the age and service required for a minimum retirement to age 45 and service of 20 years, and also giving a 50% increase to all pre January 1, 1980 retirees. This is all subject to both the City's and the active member approval. This motion was seconded by Dr. Tollen and passed unanimously by the Board.*

#### 2. Discussion and action on Executive Director's 2016 performance review.

Mr. Thompson explained that the committee would be meeting in the next few weeks to summarize Mr. Grossman's evaluation.

*Mr. Thompson moved to table this item until next month, seconded by Dr. Tollen and passed unanimously by the Board.*

### New Business (cont.)

3. Discussion and action on changes to the Fund's Voting Procedure.

Mr. Grossman explained that the company that previously handled our Voting Procedure is no longer in business. As a result, some of the policy was written in reference to the contract that was in place with the old company. This version of the procedure makes it more generic so that other companies can be utilized for this purpose.

*After careful discussion and due consideration, Ms. Garcia moved to approve the changes made to the Fund's Voting Procedure, seconded by Dr. Schneider and passed unanimously by the Board.*

4. Discussion and action on Disability Recall Policy.

This policy has gone to the committee and back to the attorneys for approval. This is the final version of this policy. The statute allows us to perform disability recalls at will. This procedure is random because there are some people who will never have to come back for a recall based on the nature of their disability. The staff will have to review and bring back those members to the Board who legitimately need to be reviewed.

*After careful discussion and due consideration, Dr. Tollen moved to approve the changes requested by the Benefits Committee and reviewed by legal counsel to the Fund's Disability Recall Policy, seconded by Mr. Schneider and passed unanimously by the Board.*

5. Discussion and action on Security Litigation representation as approved by the Ad-Hoc Securities Litigation Committee.

Mr. Schneider spoke on behalf of the Ad-Hoc Securities Litigation Committee. He explained the process utilized by the committee to select the Fund's litigation firms. The committee decided to go with three firms: a large size, a medium size, and a small size. Robbins Gellar gave an excellent presentation. They are a very well-known firm probably the top in their class. Cohen Milstein brought in four representatives for their presentation. They are one of the fastest growing firms. The third firm selected was Spector Roseman. They are a smaller firm; however they focus on global issues.

*After careful discussion and due consideration and at the recommendation of the Ad-Hoc Securities Litigation Committee, Mr. Schneider moved to terminate the firm of Bernstein Litowitz Berger & Grossmann and the hiring of Robbins Geller Rudman & Dowd, Cohen Milstein Sellers & Toll, and Spector Roseman Kodroff & Willis with monthly reports to the Executive Director, a \$100,000 threshold, and when a claim is presented then the Executive Director will consult with the Chair Person to proceed and advise the Board at the next available regular Board meeting. This was seconded by Ms. Arrieta-Candelaria and passed unanimously by the Board.*

6. Opportunity for Statements from Members/Retired Members/Public.

None.

7. Report of Executive Director.

See submitted Written Report

8. For Notation:

Informational Material For Review. No Action Required.

- A. Service Retirement(s)
- B. Service/Forward DROP Retirement
- C. Deferred Retirement
- D. Death of member(s)
- E. Cost of Living Adjustments
- F. Refund of Contributions

9. Adjournment.

*Mr. Ortega moved to adjourn seconded by Ms. Arrieta-Candelaria and passed by the Board. The El Paso Firemen & Policemen's Pension Fund Board of Trustees meeting stands in adjournment at 3:10 p.m.*

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Chairperson

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Secretary